Should I Shelter MY INVESTMENTS *in Place?*

By Jack L. Shampine, Jr., LPL

Recent financial reports provide a catalog of the stock market roller-coaster ride starting at the beginning of the COVID-19 pandemic:

February 19 — S&P 500 at an all-time high

March 23 — Dow Jones down almost 40% since Feb 19, fastest drop in history

March 26 — S&P 500 on track for best week since 1938 and Dow Jones on track for best week since 1931

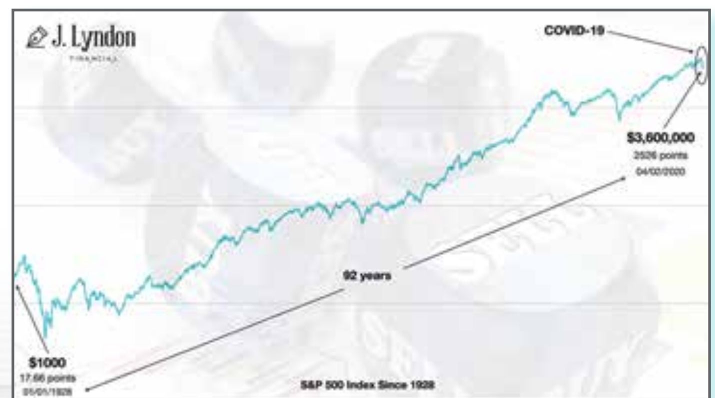
March 31 — Dow Jones on track for worst first quarter ever

Besides dramatically altering our way of life, COVID-19 has taken a toll on our economy and markets. Sheltering in place was recommended to avoid exponential spread of the disease, but how can you protect your retirement savings and investments? Shelter your money in place? Take it out of the stock market? Move it to “safe” investments? Stop contributing to retirement accounts?

Before answering these questions, let’s look at where we are, how we got here, and what clues history offers as to where we might be headed. On February 19, the S&P 500 was at an all-time high — 3,386 points.

This chart highlights the magnitude of the market’s fall:

But now, let’s zoom out and look at this dramatic drop in the context of market history:



As you can see in the second chart, beginning in 1928, the index went from 17.66 points to 2,526 points. Even though those 90 years were fraught with world wars, natural disasters, pandemics, and more, you can view the overall trend. Notice how the COVID-19 pandemic looks fairly typical on this chart.

But for clarity’s sake, let’s put it in terms of dollars. One thousand dollars invested in the S&P 500 on January 1, 1928, and left alone with dividends reinvested would be worth roughly $3.6 million today. So, as horrible and unprecedented as this pandemic is, it too shall pass, and the positive long-term trajectory of the stock market will likely continue.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

All performance referenced is historical and is no guarantee of future results.

All indices are unmanaged and may not be invested into directly.

No strategy assures success or protects against loss.

All investing involves risk including loss of principal.

Against that backdrop, here are answers to some questions you may have:

1. **SHOULD I GET OUT OF THE MARKET AND PUT MY MONEY IN CASH?**

When people get spooked enough to withdraw all their money, they rarely become confident enough to reinvest as the market falls further. However, some people pull out of the market near the low and wait to get back in when it is significantly higher, thus locking in a huge loss.

2. **SHOULD I MOVE ALL MY MONEY TO SAFE INVESTMENTS FOR NOW?**

If you're currently invested in the stock market, moving to "safe" investments (like bonds) would be ill-advised because you'd be selling stocks low and likely buying bonds high. The portion of your money invested in stocks should have a relatively long-term horizon. So, wait — things will improve.

3. **SHOULD I STOP ADDING TO MY 401(K) OR INDIVIDUAL RETIREMENT ACCOUNT (IRA)?**

If your personal financial situation dictates that you need more cash flow right now due to reduced wages, stopping your contributions is understandable, but you should not stop adding to your 401(k) or IRA due to market downturn. If you're able, consider increasing your contributions to stock-oriented funds, since you'd be buying low (relatively speaking).

4. **WITH ALL THESE FLUCTUATIONS AND UNCERTAINTIES, WHY INVEST AT ALL? WHY NOT JUST PUT MONEY IN THE BANK?**

If you put money in the bank, your number of currency units (dollars in our case) won't decrease at all. But guess what? It won't *increase* much either. On the other hand, your living expenses *will* increase. Historically, the cost of goods and services inflates at a rate of about 3% annually. This means that during 30 years of retirement, your costs will rise by about 2.5 times. So, if your bank account doesn't keep up with increasing costs, you're going backward in terms of purchasing power.

Historically speaking, the only way to stay ahead of inflation is to have most of your money in the stock market. The trade-off is that you must sometimes endure the discomfort of periodic (occasionally, drastic) fluctuations in your account balance.

5. **I'M RETIRING SOON, AND I DON'T HAVE A LONG-TERM HORIZON. WHAT SHOULD I DO?**

Even when you retire, you won't withdraw all your money at once. You should keep a portion in the stock market to have any hope of outrunning inflation. A proper withdrawal strategy designed with your financial adviser should account for difficult periods like this one.

6. **SHOULD I INVEST NOW?**

If you have cash with a long-term purpose, and you're confident you won't need it for several years, you should strongly consider it. Consult your financial adviser first.

To summarize, don't be lured into doing something with your investments when you probably should do nothing. Reacting emotionally could negatively affect your financial future.

Jack L. Shampine, Jr. is a financial planner and president of J. Lyndon Financial, LLC. 185 West Main Street, Suite F, Canton. 678-880-6267. Jack@jlyndonfinancial.com. JLyndonFinancial.com